



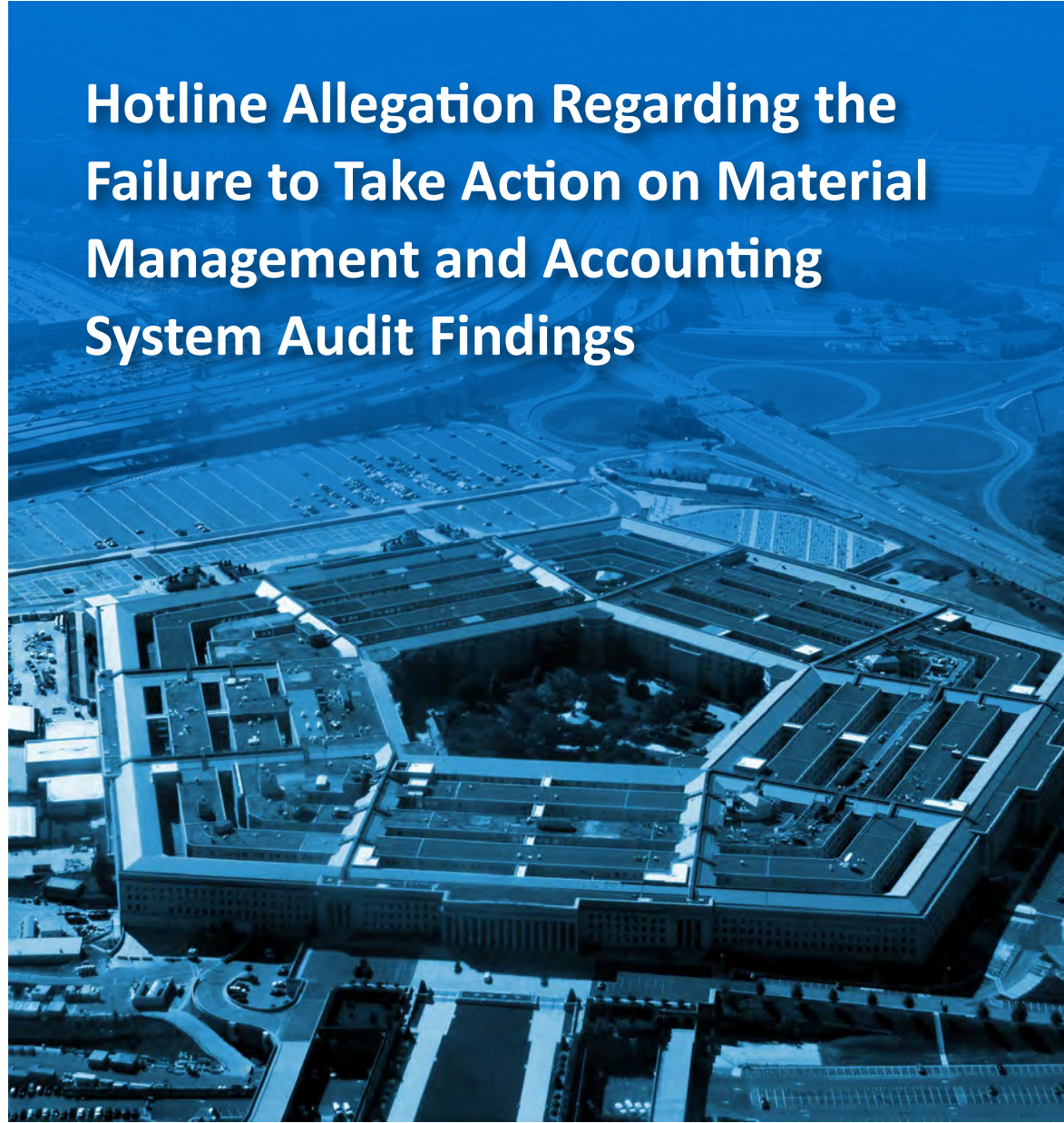
INSPECTOR GENERAL

Department of Defense

MAY 29, 2013



Hotline Allegation Regarding the Failure to Take Action on Material Management and Accounting System Audit Findings



INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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Results in Brief

Hotline Allegation Regarding the Failure to Take Action on Material Management and Accounting System Audit Findings

May 29, 2013

Objective

We conducted this review to determine the validity of a DoD Hotline complaint alleging that the contracting officer at a Supervisor of Shipbuilding, Conversion and Repair (SUPSHIP) facility failed to take action on audit findings reported by the Defense Contract Audit Agency (DCAA) involving a DoD contractor's Material Management and Accounting System (MMAS). The complaint also alleged that DCAA management at a field audit office did not take appropriate action to protect the Government's interests.

Findings

We substantiated the allegation that the SUPSHIP contracting officer did not take action on significant MMAS deficiencies reported in multiple DCAA audit reports since 1996. As a result, the Government likely paid millions of dollars in excess material inventory carrying costs and other charges, which are not recoverable. In 2008, DCAA estimated that the Government incurred \$27.7 million annually in excess inventory carrying costs on one of the deficiencies involving the failure to appropriately time-phase material costs, as Standard 2 requires. We did not substantiate the second allegation that DCAA field office management failed to take appropriate actions to protect the Government's interests.

Recommendations

We recommend that the Commander, Naval Sea Systems Command, take appropriate administrative action, including personal accountability, for the failure of SUPSHIP to take action on the reported MMAS deficiencies. In consultation with DCAA, we also recommend that SUPSHIP promptly evaluate the adequacy of the contractor's plan for correcting the deficiencies.

Comments and Response

Management agreed with the recommendations and took several actions in response to a draft of this report. SUPSHIP implemented a \$5.9 million withholding of payments to protect the Government's interests until the contractor fully corrects the reported deficiencies. The withholding is still in place. However, regarding the Standard 2 deficiency, SUPSHIP did not require corrective action because SUPSHIP maintains that the costs of correcting the deficiency would exceed the related benefits. SUPSHIP failed to provide adequate rationale in support of its actions on the Standard 2 deficiency. Accordingly, we request additional comments for Recommendations 2.a, 2.b, 2.c, 2.d, and 2.e by July 1, 2013.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, Naval Sea Systems Command		1
Commanding Officer, Supervisor of Shipbuilding, Conversion and Repair	2.a, 2.b, 2.c, 2.d, and 2.e	

Please provide comments by July 1, 2013.



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

May 29, 2013

**MEMORANDUM FOR COMMANDER, NAVAL SEA SYSTEMS COMMAND
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY**

**SUBJECT: Hotline Allegation Regarding the Failure to Take Action on Material
Management and Accounting System Audit Findings
(Report No. DODIG-2013-082)**

We are providing this report for review and comment. We performed this review based on a Defense Hotline complaint. We substantiated the allegation that the contracting officer at a Supervisor of Shipbuilding, Conversion and Repair (SUPSHIP) facility failed to take appropriate action on significant Material Management and Accounting System deficiencies reported by the Defense Contract Audit Agency, likely resulting in the Government paying millions of dollars each year in additional material carrying costs.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We considered management comments and actions taken in response to a draft of this report. As a result of management comments, we added Recommendations 2.d and 2.e. We request that the Commanding Officer, SUPSHIP, provide additional comments on Recommendations 2.a, 2.b, 2.c, 2.d, and 2.e by July 1, 2013.

If possible, send a Microsoft Word (.doc) file and portable document format (.pdf) file containing your comments to the e-mail address cited in the last paragraph of this memorandum. Copies of your comments must contain the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to our staff. Questions should be directed to Ms. Carolyn R. Davis at (703) 604-8877 (DSN 664-8877), carolyn.davis@dodig.mil.

A handwritten signature in black ink, appearing to read "R. Stone", is positioned above the typed name of the Deputy Inspector General.

Randolph R. Stone, SES
Deputy Inspector General
Policy and Oversight



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Introduction

Objectives

We conducted this review to determine the validity of a DoD Hotline complaint alleging that:

- a. a contracting officer at a Supervisor of Shipbuilding, Conversion and Repair facility failed to take any action on material management and accounting system deficiencies that Defense Contract Audit Agency had reported; and
- b. Defense Contract Audit Agency (DCAA) management involved in reporting the Material Management and Accounting System (MMAS) deficiencies did not adequately protect the Government's interests.

See Appendix A for details of our scope and methodology.

Background

Material Management and Accounting System Standards

Defense Federal Acquisition Regulations Supplement (DFARS) clause 252.242-7004, "Material Management and Accounting System," requires DoD contractors to maintain an MMAS that reasonably forecasts material requirements; ensures material costs are based on valid time-phased requirements; and has a consistent, equitable, and unbiased logic for costing of material transactions.

The clause lists 10 system criteria (also known as MMAS "standards") for determining the acceptability of an MMAS. For example, DFARS clause 252.242-7004(d)(2), also known as "Standard 2," states that a DoD contractor's MMAS must, "Ensure that costs of purchased and fabricated material charged or allocated to a contract are based on valid time-phased requirements as impacted by minimum/economic order quantity restrictions." The clause defines "time-phased requirements" as material which is charged and billed to contracts in a manner consistent with the need to fulfill the production plan. If a DoD contractor routinely receives material far in advance of its production plan or actual need, the Government could be paying for significant excess inventory carrying costs and other related unnecessary charges.

Contracting officers must withhold a percentage of payments on contracts that include DFARS clause 252.242-7005 if significant deficiencies exist with a contractor's business system (such as the MMAS). Although the contracting officer can reduce the withholding

if the contractor provides an adequate corrective action plan, withholdings must remain in place until the contractor eliminates the deficiency.

Defense Contract Audit Agency

DCAA performs contract audits and provides accounting and financial advisory services to DoD Components responsible for procurement and contract administration. The Agency performs several types of audits, including audits of a DoD contractor's MMAS. The objective of DCAA's MMAS audit is to determine if the DoD contractor's related internal controls are effective, and whether the DoD contractor's MMAS complies with the 10 standards contained in the DFARS 252.242-7004 clause.

Naval Sea Systems Command

Naval Sea Systems Command (NAVSEA) is the largest of the Navy's five systems commands and the Navy's central activity for designing, engineering, integrating, building, and procuring ships and shipboard weapons and combat systems. NAVSEA awards nearly \$24 billion in contracts annually for new construction of ships and submarines, ship repair, major weapon systems and services. The mission of NAVSEA is to develop, deliver, and maintain ships and systems for the United States Navy.

Supervisor of Shipbuilding, Conversion and Repair

NAVSEA executes its shipbuilding contracts at four Supervisor of Shipbuilding, Conversion and Repair (SUPSHIP) facilities located throughout the United States. SUPSHIP operates under the direction of NAVSEA and its responsibilities include:

- performing contract administration services, such as enforcing contract requirements;
- working with contractors and Government activities to facilitate greater quality and economy in the products and services being procured; and
- managing the complexities and unique demands of ship construction and repair projects.

Part of SUPSHIP's contract administration responsibilities includes taking action on DCAA audit reports. The complaint addressed in this report covers the actions that one of four SUPSHIP facilities took in response to DCAA audit reports issued on a DoD contractor's MMAS.

Finding A

The Contracting Officer Failed to Take Action on Reported MMAS Deficiencies

We substantiated the allegation that a SUPSHIP contracting officer failed to take action on MMAS deficiencies reported in multiple audit reports since 1996. The failure to take action likely resulted in the Government paying millions of dollars in excess material inventory carrying costs.

Allegation

The complainant alleged that the contracting officer at a SUPSHIP facility failed to protect the Government's interests by not taking action to address MMAS deficiencies reported in multiple DCAA audit reports.

DCAA Audit Reports

On August 25, 2006, DCAA reported to the SUPSHIP contracting officer that the contractor's MMAS did not comply with 5 of the 10 MMAS standards. The most significant noncompliance raised in the report was the contractor's failure to achieve a 95-percent master production schedule accuracy goal addressed in MMAS Standard 2. According to the report, the Standard 2 noncompliance resulted from the contractor prematurely purchasing and billing the Government for millions of dollars in material costs that were not needed in production for several months. The report states that the Government paid incurred excess material carrying costs worth an estimated \$59 million per year based on existing material inventory levels. On August 26, 2008, after completing a follow-up audit of MMAS Standard 2, DCAA reported to the contracting officer that the DoD contractor was still not in compliance with MMAS Standard 2. The 2008 report noted an excess material carrying cost estimate of \$27.7 million per year based on inventory levels which existed at that time. In both reports, DCAA recommended that the contracting officer withhold a portion of the DoD contractor's progress payments to help protect the Government's interests until the contractor corrected the MMAS deficiencies.

DCAA had also issued two previous audit reports addressing the premature billing of material costs in September 2001 and June 1996. According to the complaint, the responsible SUPSHIP contracting officer took no action on any of the DCAA reports. Between 1996 and 2011, there were three different contracting officers assigned to this SUPSHIP location.

Contracting Officer Took No Action for More than 14 Years on Reported Deficiencies

Our review disclosed that the SUPSHIP contracting officer had not taken any action on the MMAS deficiencies reported by DCAA since 1996. The contracting officer did not take any of the actions required by DFARS 242.7203(c) for completing the disposition of the DCAA audit findings, determining the acceptability of the MMAS, requiring corrective action, or taking interim action to protect the Government's interests. The contracting officer's failure to take action was also not in compliance with DoD Instruction 7640.02, "Policy for Follow-up on Contract Audit Reports," requiring that contracting officials complete the disposition of audit report findings within 12 months.

The failure of the contracting officer to act on these reports is unacceptable. The Government has likely paid millions of dollars in additional inventory carrying costs, which the Government cannot recover. DCAA clearly conveyed the significance of the MMAS deficiencies in its audit reports. For example, DCAA estimated in its 2008 report that the Government had incurred approximately \$27.7 million in excess material inventory carrying costs. Yet, the contracting officer took no action.

During our interview with the contracting officer, he acknowledged that he had not taken meaningful action to resolve the reported MMAS deficiencies. The contracting officer said he thought he had forwarded the MMAS report to the contractor for comment, but does not recall whether he received the contractor's comments. The contracting officer stated that his office lacked the resources necessary to address a backlog of DCAA audit reports awaiting action.

A lack of resources is not an excuse for failing to take action over several years on an audit finding potentially worth millions of dollars in savings to the Government. There is no reasonable excuse for failing to act on the reports over a 14-year period. SUPSHIP management also bears responsibility for not monitoring the contracting officer's actions and providing the resources necessary to take action on the reports in a timely manner. NAVSEA should consider appropriate administrative action, including personal accountability, for the failure to address the reported findings in compliance with DFARS 242.7203 and DoD Instruction 7640.02. Accountability encourages compliance and reinforces to management and employees that such conduct will not be tolerated.

Notice of Concern and Management Actions

On September 20, 2010, we issued a Notice of Concern* to the Commander, Naval Sea Systems Command, to recommend some immediate actions necessary for resolving the DCAA-reported MMAS deficiencies and for improving related controls (see Appendix B). In a September 30, 2010 response, NAVSEA concurred with our recommendations and provided a comprehensive action plan (see Appendix C for the complete NAVSEA response). NAVSEA took the following corrective actions:

- NAVSEA and SUPSHIP leadership jointly reviewed the DCAA-reported MMAS deficiencies.
- On September 23, 2010, NAVSEA and SUPSHIP leadership met with DCAA management to discuss the MMAS deficiencies and develop a plan for resolving them.
- On September 29, 2010, NAVSEA issued a policy requiring all NAVSEA activities to establish an action plan for resolving all delinquent audit reports. NAVSEA also established a monitoring process and adjusted staffing resources to ensure timely completion of actions.
- In a January 18, 2011, letter, the contracting officer notified the DoD contractor that the MMAS was not in compliance with several MMAS standards and required the contractor to submit a corrective action plan. On March 18, 2011, the contractor submitted the required corrective action plan.

These actions were responsive to the recommendations contained in the Notice of Concern.

Recommendations, Management Comments, and Our Response

Added Recommendations

As a result of management comments, we added Recommendation 2.d to request a re-evaluation of the determination that the costs of complying with Standard 2 outweigh its benefits. In addition, we added Recommendation 2.e to request that SUPSHIP reassess the appropriateness of its March 15, 2013, agreement with the contractor on master production schedule accuracy.

*We normally issue a Notice of Concern to alert DoD management of significant findings that we believe require immediate attention. DoD management officials can then take proactive steps to mitigate the effects of the findings.

1. **The Commander, Naval Sea Systems Command, should consider appropriate administrative action, including personal accountability, for the failure of the Supervisor of Shipbuilding, Conversion and Repair facility to take action on significant material management and accounting system deficiencies reported by Defense Contract Audit Agency over several years.**

Department of the Navy Comments

The Deputy Assistant Secretary of the Navy (Acquisition and Procurement) agreed and indicated that NAVSEA:

- counseled the SUPSHIP's Chief and the Deputy Chief of the Contracting Office on the importance of resolving DCAA audit recommendations in a timely manner;
- counseled the primary responsible party for system audits to ensure timely and accurate responses;
- appointed a new Chief of Contracting and emphasized his role and responsibility for resolving outstanding system audits;
- appointed a Corporate Administrative Contracting Officer to assist with administering business system requirements and DCAA audit findings; and
- initiated a monitoring system that tracks the status of all audits at each SUPSHIP office.

Our Response

We verified that NAVSEA took these actions, which satisfy the intent of the recommendation. No additional response to this recommendation is required.

2. **The Commanding Officer, Supervisor of Shipbuilding, Conversion and Repair, should:**
 - a. **Promptly evaluate the contractor's corrective action plan for correcting the material management and accounting system deficiencies in accordance with Defense Federal Acquisition Regulation Supplement 242.7203(c)(2)(ii)(C).**

Department of the Navy Comments and Actions

The Deputy Assistant Secretary of the Navy (Acquisition and Procurement) agreed and advised that SUPSHIP committed to evaluate the corrective action plan for the material management and accounting system deficiencies and work with DCAA to ensure that corrective action is taken.

During the evaluation, we learned that SUPSHIP asked DCAA to update its estimated impact for the Standard 2 noncompliance (involving inadequately time-phased materials and master production schedule inaccuracies) for more recent material purchase data. On July 14, 2011, DCAA provided SUPSHIP with an updated estimate of \$25.1 million based on 2010 material purchases; \$2.6 million lower than the 2008 DCAA reported estimate of \$27.7 million.

On August 31, 2011, SUPSHIP issued its determination on the results of its evaluation to the contractor. SUPSHIP found that significant MMAS deficiencies remained and posed an undue risk to the Government. The contracting officer decided to withhold \$5.9 million for certain deficiencies associated with four MMAS standards (excluding the Standard 2 noncompliance for inadequately time-phased materials). The contracting officer indicated that the withholdings would remain in place until the MMAS deficiencies were corrected. As of February 22, 2013, the \$5.9 million withholding remained in place.

Regarding the reported Standard 2 noncompliance, the contracting officer chose not to implement a withholding or require the DoD contractor to take corrective action. In contrast to the latest DCAA estimated impact of \$25.1 million, the contracting officer calculated his own estimated impact of \$3.5 million. However, the contracting officer determined that the costs associated with requiring the DoD contractor to comply with Standard 2 were excessive in relation to the impact on the Government.

On March 15, 2013, the SUPSHIP Commander entered into an agreement with the contractor concerning how the contractor must calculate master production schedule accuracy. The master production schedule accuracy rate serves as the primary measure for determining if a contractor adequately time-phases material costs in accordance Standard 2. A key provision of the agreement indicates that Standard 2 compliance will be achieved if the contractor receives 95 percent of certain materials within 180 days of the “required-in-yard” date reflected in the master production schedule.

Our Response

The Department of the Navy comments and actions are responsive to the intent of the recommendation. We recognize the significant efforts SUPSHIP made in eventually taking action on MMAS deficiencies reported over a 14-year period and implementing a payment withholding for some of the significant deficiencies.

However, the August 31, 2011, written determination fails to adequately justify SUPSHIP's methodology for calculating the \$3.5 estimated impact, which is \$21.6 million lower than the \$25.1 million DCAA estimate. Specifically, SUPSHIP did not adequately explain why it excluded certain material costs from the calculation and made adjustments to the DCAA annual carrying cost rate.

Material Exclusions

Appendix B shows a comparison between the DCAA estimated impact of \$25.1 million and the SUPSHIP estimate of \$3.5 million. SUPSHIP excluded "planning material" of \$350 million, which accounted for 41 percent of the \$837 million in 2010 material purchases. The August 31, 2011, SUPSHIP determination does not provide a sufficient explanation for excluding this material. The determination simply states that planning material was excluded because "The Navy awards the contractor planning contracts to buy material early." The contracting officer subsequently clarified to us that he excluded planning material because the Government instructs the DoD contractor when it must purchase and receive the material. Therefore, the contracting officer believes the contractor does not have the ability to better time-phase planning material. However, the contracting officer could not provide us with evidence showing that the Government instructs the contractor when it must purchase and receive planning material. Although the Government advises the contractor when it can proceed with its general planning efforts on new contracts, we found no evidence of the Government instructing the contractor when to purchase and receive planning material.

We take exception to SUPSHIP's exclusion of \$33 million in "company stores material," which accounted for an additional 4 percent of 2010 material purchases. The August 31, 2011, determination included the following explanation for excluding company stores material.

MMAS Standard No.2, Master Production Schedule (MPS) accuracy is focused on ensuring that material purchases of *direct project* material (billed to contracts upon receipt) are based on valid

time-phased requirements. Company stores...material costs are not *direct project* material. (emphasis added)

However, Standard 2 establishes the requirement for appropriately time-phasing all materials that are ultimately charged or allocated to a contract, not just “direct project” material. The Commander, SUPSHIP, also told us that because company stores material is only charged to the Government when it is needed in production, the Government is not impacted by the failure to appropriately time-phase this material. We disagree because the Government is still paying excess inventory costs through the reimbursement of the contractor’s overhead costs when the contractor purchases and receives company stores material well in advance of its need.

Annual Carrying Cost Rate Adjustments

Although DCAA used an annual carrying cost rate of 10.5 percent to calculate the estimated impact, SUPSHIP used a significantly lower rate of 4.2 percent. The rate difference of 6.3 percent primarily resulted from SUPSHIP making two adjustments. First, SUPSHIP removed all costs associated with receiving, inspecting, inventorying, and issuing material to production (also referred to as Department 53 costs). SUPSHIP made the adjustment on the basis that these functions would occur regardless of whether material is received early. However, the costs associated with these functions will often increase if the contractor routinely receives material far in advance of its need. For example, the Government will incur additional costs associated with material that must be re-inspected or re-inventoried if the contractor receives the material too early.

Second, SUPSHIP excluded 90 percent of the costs that DCAA estimated for inventory shrinkage and obsolete material. The DCAA estimate is based on the costs charged to the contractor’s “Code 551 Movements” account. SUPSHIP believes this account includes other costs in addition to inventory shrinkage and obsolete material. For example, the contracting officer believes some of the costs in this account could be for “bad or wrong material received from the supplier,” which did not result from material received too early. However, the contracting officer’s decision to exclude 90 percent of this account appears arbitrary, as he could not provide us with rationale to support the basis or amount of the exclusion.

Therefore, SUPSHIP should re-evaluate its determination that the costs of complying with Standard 2 outweigh the benefits. As part of the re-evaluation, SUPSHIP must document adequate rationale when it disagrees with auditor recommendations, as DoD Instruction 7640.02 requires. See added Recommendation 2.d.

Agreement on Master Production Schedule Accuracy Rate

The SUPSHIP Commander also could not provide us with written rationale to support the agreement he entered into with the contractor on the master production schedule accuracy rate. We question the appropriateness of the agreement because it allows the contractor to exclude a significant portion of material purchases from the master production schedule rate calculation, including planning material and company stores material.

Moreover, the agreement allows the contractor to calculate the rate using a “required-in-yard” measurement date, which DCAA has stated would be inconsistent with the intent of Standard 2. In several audit reports, DCAA pointed out that the measurement does not test whether the master production schedule is accurate or if the contractor keeps it up-to-date. DCAA advised that the measure only serves to determine if material is received according to the master production schedule, irrespective of whether or not the schedule is accurate. DCAA recommended using the “issued to production” date, rather than the required-in-yard date, in order to meaningfully measure the degree to which the contractor time-phases material costs.

DoD Instruction 7640.02 requires that contracting officers document adequate rationale when they disagree with auditor recommendations. Prior to executing the agreement, the SUPSHIP Commander acknowledged that he did not document any rationale in support of the agreement. We also found no evidence that the Commander consulted with DCAA on the agreement prior to signing it on March 15, 2013. DCAA first learned of the agreement after receiving a copy of it.

The Commander told us he allowed the use of the required-in-yard date because of the nature of the contractor’s business, which involves numerous changes to the production schedule. However, the fact that the contractor’s production schedule undergoes numerous changes only further reinforces the need to maintain a current and accurate schedule and periodically test the accuracy of it. The Commander’s explanation does not adequately justify the use of a measure that does not meaningfully test the degree to which the contractor appropriately time-phases material costs.

SUPSHIP should reassess the appropriateness of its agreement with the contractor on the master production schedule accuracy calculation. As part of the reassessment, SUPSHIP must document adequate rationale when it disagrees with auditor recommendations, as DoD Instruction 7640.02 requires. See added Recommendation 2.e.

- b. Consult closely with the Defense Contract Audit Agency in evaluating the corrective action plan.**

Department of the Navy Comments

According to the Supervisor of Shipbuilding, Conversion and Repair, SUPSHIP contracting personnel held several meetings with DCAA in 2011 during its evaluation of the contractor's corrective action plan.

Our Response

We confirmed that SUPSHIP consulted with DCAA and held meetings with DCAA from March through August 2011. However, SUPSHIP did not closely coordinate with DCAA when it entered into the March 15, 2013, agreement with the contractor on the master production schedule calculation. We request that SUPSHIP coordinate closely with DCAA when it reassesses the impact of the Standard 2 deficiency and the agreement on the master production schedule calculation, as discussed in Recommendations 2.d and 2.e.

- c. Provide a copy of the written determination on the contractor's corrective action plan and the system's overall acceptability to the DoD Inspector General, Assistant Inspector General for Audit Policy and Oversight.**

Department of the Navy Comments

SUPSHIP agreed to provide a copy of the written determination to the DoD Assistant Inspector General for Audit Policy and Oversight.

Our Response

SUPSHIP provided the August 31, 2011, written determination to the DoD Assistant Inspector General for Audit Policy and Oversight. However, we request that SUPSHIP provide a copy of the re-evaluation and reassessment requested in Recommendations 2.d and 2.e.

- d. Re-evaluate the determination that the costs of complying with Standard 2 outweigh the benefits, and document adequate rationale for any disagreements with the auditor in accordance with DoD Instruction 7640.02.**
- e. In consultation with Defense Contract Audit Agency, reassess the appropriateness of the March 15, 2013, agreement with the contractor on the master production schedule accuracy calculation.**

Finding B

Alleged DCAA Management Failure to Protect the Government's Interests

We did not substantiate the allegation that DCAA field office management failed to adequately protect the Government's interests in pursuing the contractor's MMAS deficiencies.

Allegation

The complainant alleged that DCAA's field office management involved in reporting the MMAS deficiencies failed to adequately protect the Government's interests because:

- the field office manager did not follow up with the contracting officer on his efforts to resolve the MMAS deficiencies with the contractor;
- the field office manager refused to incorporate the reported MMAS findings in progress payments and other audits in accordance with Agency policy;
- DCAA management unnecessarily took over 6 months (29 weeks) to issue the 2008 MMAS audit report after the auditor prepared the initial report draft; and
- the field office manager lacked independence from the SUPSHIP contracting officer.

DCAA Organization

DCAA maintains a headquarters office and five regions. Each region has several field offices, and each field office is comprised of multiple audit teams. The field office manager (referred to as the Branch Manager or Resident Auditor) and the supervisors of each audit team make up the management "team" at each DCAA field office. The field office manager reports to a regional audit manager.

Field Office Manager Did Follow-up with the Contracting Officer

Our review disclosed that the DCAA field office manager took several actions to follow-up with the SUPSHIP contracting officer on his efforts to address the DCAA-reported MMAS

deficiencies. For example, our interviews and review of applicable documents disclosed that the field office manager:

- met regularly with the contracting officer, and at least quarterly with senior Navy officials, to discuss significant audit matters such as the reported MMAS deficiencies;
- briefed the DCAA Director in April of 2009 on the contracting officer's lack of action; and
- issued a memorandum to the cognizant DCAA regional office in June 2009, citing an unsatisfactory condition with respect to the contracting officer's failure to take timely action. The Regional office forwarded the reported unsatisfactory condition to DCAA Headquarters for consideration in November 2009.

These actions demonstrate that the field office manager took appropriate follow up steps under the circumstances. Ultimately, the contracting officer is responsible for his own failure to act. Therefore, we did not substantiate this portion of the allegation.

Field Office Manager Noted the Impact of MMAS Deficiencies

DCAA procedures require the auditor to recommend reductions on contractor progress payment requests for unresolved MMAS deficiencies until they are corrected. In addition, DCAA procedures for preparing Earned Value Management System reports require the auditor to comment on unresolved MMAS deficiencies which have an impact on the Earned Value Management System.

Our review disclosed that the most recent DCAA progress payment report appropriately highlighted the MMAS deficiencies and recommended a 10-percent withhold. Also, our review of Earned Value Management System reports issued since 2005 disclosed that DCAA included comments on the MMAS deficiencies and highlighted the impact of them on the Earned Value Management System. Therefore, the evidence shows that the field office manager complied with Agency procedure by noting the impact of the MMAS deficiencies in reports involving progress payments and Earned Value Management Systems.

DCAA Issuance of 2008 MMAS Audit Report Was Timely

We reviewed DCAA's 2008 MMAS audit file to determine whether the actions taken to issue the report were untimely under the circumstances. The auditor submitted the initial draft report on February 8, 2008, and DCAA management issued the final report on

August 26, 2008 (approximately 29 weeks later). The table shows a list of actions taken after the auditor submitted her initial draft report:

Table. Duration of Actions Taken After Submittal of Initial Draft Report

Description of Action	Approx. Duration
Auditor performance of additional fieldwork as recommended by the DCAA MMAS Technical Specialist	8 weeks
Contractor issuance of comments on the DCAA draft report	7 weeks
Auditor preparation of final report, including a rebuttal to the contractor comments	5 weeks
Reviews of the draft and final reports by a peer, MMAS technical specialist, supervisor, field office manager, and regional audit manager	9 weeks
Total Duration	29 weeks

Considering the complexity and significance of the reported MMAS issues, we did not determine that the actions were excessively untimely, or that DCAA management unduly delayed report issuance in this case.

Field Office Manager Did Not Lack Independence

GAGAS, Paragraph 3.02, requires individual auditors and audit organizations to be free from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments.

We reviewed evidence provided by the complainant in support of the claim that the field office manager lacked independence from the contracting officer. The evidence consists primarily of a March 30, 2007 e-mail exchange between the field office manager and members of his staff involved in the MMAS audit. In the e-mail exchange, the field office manager stated he was not in favor of recommending a reduction to the contractor's progress payments for the reported MMAS deficiencies until the contracting officer agreed with the underlying deficiencies. The field office manager's comments were inconsistent with Agency policy, which requires the auditor to recommend appropriate reductions to progress payments for MMAS deficiencies, even if the contracting officer has not yet made a determination.

While inconsistent with Agency policy, the e-mail does not demonstrate that the DCAA field office manager lacked independence from the SUPSHIP contracting officer in carrying out his audit responsibilities. On August 16, 2007, over 4 months following the e-mail exchange, the field audit manager did recommend appropriate reductions to a progress payment request in accordance with Agency policy. In addition, we noted

several other actions the field office manager took, which appear to show that he acted independently from the SUPSHIP contracting officer. For example, the field office manager formally reported to his management chain of command that the failure of the SUPSHIP contracting officer to act on the reported MMAS deficiencies was an unsatisfactory condition. Therefore, we did not find sufficient evidence to substantiate that the field office manager lacked independence from the SUPSHIP contracting officer.

Appendix A

Scope and Methodology

We conducted this review in accordance with the Quality Standards for Inspection and Evaluation. To determine the validity of the complaint addressed in this report, we:

- interviewed appropriate officials at the SUPSHIP office and the cognizant DCAA field office;
- obtained and reviewed documents pertinent to the complaint, including those from the SUPSHIP and DCAA offices; and
- reviewed and applied applicable laws, regulations and DoD Instructions.

We interviewed SUPSHIP personnel and reviewed SUPSHIP files to determine what actions had been taken on the 2006 and 2008 DCAA reports. We also interviewed DCAA personnel and reviewed applicable DCAA records to gain an understanding of the DCAA-reported MMAS deficiencies.

We conducted this review from August 2010 through March 2013. We had to suspend the review several times during this timeframe to work on other high-priority projects.

Use of Computer-Processed Data

We did not rely on computer-processed data to perform this review.

Prior Coverage

In the past 5 years, we have issued the following two reports involving actions by a SUPSHIP office:

1. Report No. D-2008-6-005, "Report of Actions on Incurred Cost Audits by the Supervisor of Shipbuilding, Conversion and Repair Groton, Connecticut," May 5, 2008.
2. Report No. D-2010-6-003, "Actions to Establish Final Indirect Cost Rates on Reportable Contract Audit Reports by the Supervisor of Shipbuilding, Conversion and Repair," September 24, 2010.

Appendix B

Comparison of Estimated Impact for Standard 2 Deficiency

Cost Element	Estimated Impact		Note
	DCAA	SUPSHIP	
CY 2010 Material Costs	\$837,376,810	\$837,376,810	
Less Excluded Material:			
Planning Material	\$0	(\$349,691,444)	
Company Store Material	\$0	(\$33,097,390)	
Other Material	\$0	(\$25,272,926)	
Subtotal: CY 2010 Material Costs less Exclusions	\$837,376,810	\$429,315,050	1
Times: Master Production Schedule (MPS) Error Rate	62%	57%	2
Subtotal: Estimated Amount of Material Billed Early	\$519,173,622	\$244,709,579	
Times: Annual Carrying Cost Rate	10.5%	4.2%	3
Subtotal: Annual Carrying Cost on Material Billed Early	\$54,342,211	\$10,277,802	
Times: Percent of Year Purchased Early	46%	34.4%	4
Estimated Annual Impact of Material Purchased Early	\$25,160,444	\$3,535,564	

Notes:

1. DCAA included all 2010 material costs of \$837,376,810 in its cost impact calculation for the Standard 2 deficiency involving the failure to maintain an accurate master production schedule and properly time-phase material purchases. However, SUPSHIP excluded planning material, company store material, and other materials (such as nuclear material). As discussed in the Our Response section of Recommendation 2a, SUPSHIP did not adequately explain why it excluded planning and company store material from the calculation.
2. DCAA calculated a 62-percent MPS error rate based on its determination that materials were received too early 62 percent of the time. SUPSHIP used a reduced error rate of 57 percent (a 5-percent reduction) because Standard 2 establishes a 95-percent MPS accuracy rate as a goal rather than a 100-percent rate. We take no exception to the 57 percent rate.
3. The 10.5 percent material carrying cost rate used by DCAA represents the cost of receipt, inspection, storage, issuance, shrinkage, obsolescence, and opportunity cost as a percent of material purchases. SUPSHIP adjusted the rate to 4.2 percent by removing the cost of receipt, inspection, storage, and issuance. SUPSHIP believes these activities would occur even if the contractor does not time-phase material properly. In addition, SUPSHIP only included 10 percent of the DCAA estimated costs for shrinkage and obsolescence because SUPSHIP believes the DCAA estimate overstates the actual cost of these items. As detailed in the Our Response section of Recommendation 2.a., we take exception to the SUPSHIP adjusted rate of 4.2 percent.
4. The “Percent of Year Purchased Early,” reflects the weighted average number of days material was received in advance of its “need date,” divided by the number of days in the calendar year. For material purchases costing less than \$500,000, DCAA calculated a need date by adding 90 days to the date the material was issued to production. For material purchases costing \$500,000 or more, DCAA added 180 days. Based on this methodology, DCAA determined that the contractor received material 169 days on average beyond the need date. Therefore, DCAA calculated a “Percent of Year Purchased Early Rate” of 46 percent (169 days ÷ 365 days), and SUPSHIP used a 34.4 percent rate, which is based on the allowance of 180 days for all material, regardless of material purchase cost. We take no exception to SUPSHIP’s use of the 34.4 percent rate.

Appendix C

Chronology of Events

Date	Description
June 24, 1996	DCAA reported that the contractor did not comply with 6 of the 10 MMAS standards, including MMAS Standard 2.
September 28, 2001	DCAA reported that the contractor's MMAS did not comply with 6 of the 10 standards, including MMAS Standard 2.
August 25, 2006	DCAA reported on the contractor's noncompliance with 5 of the 10 MMAS standards, including MMAS Standard 2.
August 26, 2008	DCAA reported on the contractor's noncompliance with 5 of the 10 MMAS standards, including Standard 2.
September 20, 2010	DoD IG issued a notice of concern to NAVSEA regarding the timeliness in addressing DCAA reported MMAS deficiencies.
September 30, 2010	NAVSEA responded in writing to DoD IG Notice of Concern.
January 18, 2011	SUPSHIP issued a resolution memorandum to the contractor, concurring with the DCAA reported deficiencies and requesting the contractor to respond in 60 days.
March 18, 2011	The contractor issued its response to SUPSHIP's resolution memorandum.
March 25, 2011	SUPSHIP officials met with DCAA personnel to discuss the contractor's response.
May 18, 2011	The contractor issued additional comments to SUPSHIP associated with the MMAS Standard 2 deficiencies.
July 6, 2011	DoD IG issued a draft of this report, finding that SUPSHIP failed to take action on the MMAS audit findings.
July 14, 2011	DCAA provided SUPSHIP with an updated estimate of \$25.1 million for the Standard 2 deficiency.
August 12, 2011	The contractor gave SUPSHIP a supplemental response on the DCAA reported MMAS standard 2 noncompliance.
August 31, 2011	SUPSHIP issued its final determination on the DCAA reported MMAS deficiencies and implemented a \$5.9 million withholding pending correction of the deficiencies.
September 30, 2011	DCAA reported that the contractor did not comply with 7 of the 10 MMAS standards, including MMAS standard 2.
January 9, 2012	The contractor responded to SUPSHIP on the deficiencies reported in the September 30, 2011, DCAA report.
March 15, 2013	The SUPSHIP Commander entered into an agreement with the contractor for calculating master production schedule accuracy.

Appendix D

DoD Inspector General Notice of Concern



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

SEP 20 2010

MEMORANDUM FOR COMMANDER NAVAL SEA SYSTEMS COMMAND (SEA 04)

SUBJECT: Notice of Concern — Timeliness in Addressing Contract Audit Follow Up
on DCAA Report on Material Management and Accounting System,
[REDACTED]

Our review of a Department of Defense Hotline complaint identified reportable Defense Contract Audit Agency (DCAA) reports about the [REDACTED] Material Management and Accounting System. The Supervisor of Shipbuilding administrative contracting officer allowed these reports to languish since 1996. Material Management and Accounting Systems support production planning, and timely acquisition of purchased material and subcontracted products. Timely resolution of the reported issues is critical in protecting the Department and the taxpayer.

In Audit Report [REDACTED], dated August 25, 2006, the Defense Contract Audit Agency reported the system was inadequate. The audit report cited multiple unreliable aspects of the system requiring numerous corrective actions by the contractor. The August 2006 report cited noncompliance with five of the ten Material Management and Accounting System standards referenced in the Defense Federal Acquisition Regulations Supplement 252.242-7004(c). For example, DCAA reported that \$640 million of material was prematurely acquired at least five months prior to an established requirement resulting in \$59 million in inventory carrying costs. The Defense Contract Audit Agency reported the same deficiency in two previous reports dated September 28, 2001, and June 24, 1996.

Audit Report [REDACTED], dated August 26, 2008, focused on continued deficiencies in the system relating to Standard 2 (Material Requirements). The primary objective of Standard 2 is to ensure that sufficient controls are established and are being used to ensure that material costs are valid and time phased (billed within a reasonable time of the actual need date). The August 2008 report documents that an estimated \$94.8 million in annual material costs was billed in excess of 18 months earlier than necessary under the company's [REDACTED] subcontract. As a result, the contractor incurred additional carrying costs, which were ultimately charged to the government. The report estimated the annual cost impact at \$27.7 million in additional inventory carrying costs.

DCAA is performing a current assessment of the system. The auditor expects to issue a report later this year. Notwithstanding, the Supervisor of Shipbuilding has done little to address the audit findings. Supervisor of Shipbuilding personnel stated that they plan to delete prior audit reports from the Contract Audit Follow-up system when the Defense Contract Audit Agency issues its 2010 report on the [REDACTED] Material Management and Accounting System. The planned action to delete the reports without addressing the deficiencies is not consistent with DoD Instruction 7640.02, "Policy for Follow up on Contract Audit

in the system until addressed by the administrative contracting officer and resolved by the contractor.

DoD Instruction 7640.02 states that contracting officers shall reach settlement within one year of receiving an audit report with findings. Where mutual agreement between the contractor and the government contracting officers cannot be achieved, contracting officials must provide the contractor a final decision. The Contract Disputes Act states, "Each claim by a contractor against the government relating to a contract and each claim by the government against a contractor relating to a contract, shall be submitted within 6 years after the accrual of a claim." Delays in resolving potential disputes can leave contracting officers holding unasserted claims beyond the 6 year statute of limitations. Exceeding the 6 year period can jeopardize the contracting officer's ability to recover increased costs on United States Government contracts.

With regard to the languishing Material Management and Accounting System audit reports identified at the [REDACTED] contract management office, we recommend the Supervisor of Shipbuilding management:

1. Review prior Defense Contract Audit Agency audit reports related to the [REDACTED] Material Management and Accounting System to identify reported findings or conditions not previously addressed or resolved.
2. Hold an initial meeting with the Defense Contract Audit Agency audit representatives within 30 days of the date of this notice to address the identified system deficiencies and to achieve resolution of the reported findings. Take necessary steps to resolve the reported issues within 120 days of the date of this notice. Please, provide minutes of the meetings and agreed-to resolution actions to the Office of the Inspector General, Audit Policy and Oversight, within 15 days after each meeting.
3. Evaluate and reassess the managerial oversight practiced by the [REDACTED] Supervisor of Shipbuilding contract management office to identify, investigate, and resolve contract audit report issues in accordance with Federal Acquisition Regulation requirements and DoD Instruction 7640.02. Processes should be put into place to provide for simultaneous resolution of various reported issues.

We issue a Notice of Concern to alert Department of Defense management of significant findings requiring immediate attention. By issuing a Notice of Concern, Department of Defense management can take proactive steps to mitigate reported issues.


Please provide a response to our recommendations by September 30, 2010. If you have any questions regarding this memorandum, please contact me at (703) 604-8877 or Ms. Meredith Long-Morin at (703) 604-8739 (meredith.morin@dodig.mil).



Carolyn R. Davis
Assistant Inspector General
for Audit Policy and Oversight

Appendix E

Naval Sea Systems Command Comments on the Notice of Concern

	DEPARTMENT OF THE NAVY NAVAL SEA SYSTEMS COMMAND 1333 ISAAC HULL AVE SE WASHINGTON NAVY YARD DC 20376-0001	4200N REPLY TO Ser 02/0286 30 Sep 10
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MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

Subj: NOTICE OF CONCERN - TIMELINESS OF CONTRACT AUDIT FOLLOW-UP ON DCAA REPORT OF MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM

Ref: (a) DoD-IG ltr Ser 110N/1-4 NOC 118, dtd 20 Sep 2010
 (b) DCAA [REDACTED] Resident Office Audit Report No. [REDACTED], dtd 25 Aug 2006
 (c) DCAA [REDACTED] Resident Office Audit Report No. [REDACTED], dtd 26 Aug 2008

Encl: (1) DCAA Presentation on MMAS from Meeting, dtd 23 Sep 2010

1. The purpose of this letter is to acknowledge and respond to reference (a) regarding the DCAA audit findings on the [REDACTED] Material Management and Accounting System (MMAS). I have reviewed the reference (a) findings and recommendations jointly with NAVSEA 04 and Supervisor of Shipbuilding, [REDACTED]. Below is our response to these serious issues with a plan of action and milestones to resolve the DCAA findings.

2. On 23 Sep 2010, Ms. Teri Ryan (NAVSEA Director for Shipbuilding Contracts) and I met with the following DCAA Senior Leaders on this matter:

- Mr. Kenneth Saccoccia - Assistant Director, Policy and Plans
- Mr. Gary Spjut - Deputy Regional Director, Eastern Region
- [REDACTED] - Regional Audit Manager
- [REDACTED] - FAO Manager
- Ms. Jennifer Quinones - Division Chief, Policy Publications and Systems Division
- Ms. Patty Wright - Program Manager, Policy Publications and Systems Division

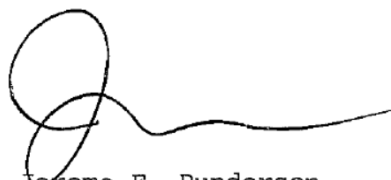
During that meeting, DCAA presented the background leading to the DoD IG Notice of Concern. The minutes of that meeting are provided as enclosure (1).

3. The SSNN Administrative Contracting Officer (ACO) has reviewed references (b) and (c) which contain Defense Contract Audit Agency [REDACTED] audit reports related to the [REDACTED] MMAS system. The ACO will identify and document the [REDACTED] position

Subj: RESPONSE FOR NOTICE OF CONCERN - TIMELINESS OF CONTRACT
AUDIT FOLLOW-UP ON DCAA REPORT OF MATERIAL MANAGEMENT AND
ACCOUNTING SYSTEM

relative to the reported findings or conditions not previously addressed or resolved. The [REDACTED] ACO will meet with DCAA [REDACTED] representatives on 4 Oct 2010 to discuss the identified system deficiencies and to establish a plan for their resolution. During subsequent meetings, they will identify and schedule the steps necessary to resolve the reported issues by 18 Jan 2011. They will draft and provide the minutes of the meeting as well as document the agreed to actions for resolution. The documentation from these meetings will be provided to the Office of the Inspector General, Audit Policy and Oversight within 15 days after each meeting.

4. I have issued a flash policy requiring all activities under NAVSEA 02 cognizance to provide a status report/presentation of all outstanding business system deficiencies and CAS noncompliances. A plan of action and milestones will be required for resolution and disposition of all delinquent audits. SEA 02 will establish a monitoring process to ensure timely completion of these actions. Based upon the results of the evaluation of the status of the SUPSHIPS, staffing and processes will be adjusted with the goal to eliminate the DCAA audit follow-up backlogs and establish sufficient resources to effectively respond to future audits within the required timeframes.



Jerome F. Punderson
Director of Contracts
Naval Sea Systems Command

Copy to:

[REDACTED]
NAVSEA 04 (RADM Campbell, L. Thompson)
NAVSEA 08H (M. Dickinson)
[REDACTED]
DCAA (K. Saccoccia, [REDACTED])

Appendix F

Navy Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

September 1, 2011

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Hotline Allegation Regarding the Failure to Take Action on Material Management and Accounting System Audit Findings (Project No. D2010-DIP0AI-0222.000)

The Navy has conducted a review concerning the subject hotline allegation and concurs with both recommendations contained in the subject report. The Naval Sea Systems Command has already taken numerous steps to ensure failure to take administrative action either does not occur or is immediately elevated to higher level management for action. Additionally, the Supervisor of Shipbuilding, Conversion and Repair has committed to evaluate the corrective action plan for the Material Management and Accounting System deficiency and work with the Defense Contract Audit Agency to ensure corrective action is taken. The attachment outlines detailed action taken to resolve both recommendations.

If you have any questions pertaining to the attachment, please refer them to Ms. Sherry Bonaiuto at Sherry.Bonaiuto@navy.mil or at 703-693-2931.

A handwritten signature in cursive script, reading "Bruce A. Sharp", is positioned above the typed name.

Bruce A. Sharp
Director, Program Analysis and
Business Transformation
Deputy Assistant Secretary of the Navy
(Acquisition and Procurement)

Attachments:
As Stated

Copy to:
NAVSEA-02
SUPSHIP, [REDACTED]



DEPARTMENT OF THE NAVY
NAVAL SEA SYSTEMS COMMAND
1333 ISAAC HULL AVE SE
WASHINGTON NAVY YARD DC 20376-0001

IN REPLY TO
5041
Ser 008/ 123
24 Aug 11

MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

Subj: NAVAL SEA SYSTEMS COMMAND (NAVSEA) COMMENTS ON PROPOSED
DOD-IG REPORT ENTITLED "HOTLINE ALLEGATION REGARDING THE
FAILURE TO TAKE ACTION ON MATERIAL MANAGEMENT AND
ACCOUNTING SYSTEM AUDIT FINDINGS PROJECT NO. D2010-
DIP0AI-0222.000 OF 6 JULY 2011"

Ref: (a) DoD-IG ltr of 6 Jul 2010, "HOTLINE ALLEGATION REGARDING THE
FAILURE TO TAKE ACTION ON MATERIAL MANAGEMENT AND
ACCOUNTING SYSTEM AUDIT FINDINGS PROJECT NO. D2010-DIP0AI-
0222.000"
(b) NAVSEA, Director of Contracts memo 4200 Ser 02/0285 of 29 Sep
10

Encl: (1) SUPSHIP Code 100 ltr 4330 Ser 450/295 of 5 Aug 11

1. The purpose of this letter is to provide comments to the specific
DoD-IG Recommendations #1 and #2 outlined in reference (a). Enclosure
(1) hereto, also provided directly by the Commanding Officer,
Supervisor of Shipbuilding Conversion and Repair [REDACTED]
(SUPSHIP-[REDACTED]), responded to DoD-IG Recommendation #2. The response to
DoD-IG Recommendation #1 by Commander, Naval Sea Systems Command is
provided herein.

2. DoD-IG Recommendation #1 states that NAVSEA "...should consider
appropriate administrative action, including personal accountability,
for the failure of a contracting officer at a Supervisor of
Shipbuilding, Conversion and Repair facility to take action on
significant Material Management and Accounting System deficiencies
reported by Defense Contract Audit Agency over several years." NAVSEA
hereby provides the following comments for consideration in the
subject final DoD-IG report:

a. NAVSEA has counseled the SUPSHIP [REDACTED] Chief of the Contracting
Office (CCO) and the Deputy CCD on the importance of tracking and
resolving all DCAA system audit recommendations in a timely manner.

b. NAVSEA has counseled the primary responsible party for system
audits (it is noted that this person is not a contracting
officer) to ensure timely and accurate responses to DCAA system audit
reports in the future.

c. NAVSEA has discussed staffing concerns with the SUPSHIP
commanding officer and is awaiting his plan of action to resolve
multiple vacancies impacting the effectiveness of the Code 400
organization.

Subj: NAVAL SEA SYSTEMS COMMAND (NAVSEA) COMMENTS ON PROPOSED
DOD-IG REPORT ENTITLED "HOTLINE ALLEGATION REGARDING THE
FAILURE TO TAKE ACTION ON MATERIAL MANAGEMENT AND
ACCOUNTING SYSTEM AUDIT FINDINGS PROJECT NO. D2010-
DIP0AI-0222.000 OF 6 JULY 2011"

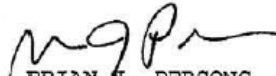
d. NAVSEA is in the process of appointing a new SUPSHIP [REDACTED] CCO with specific direction to resolve the MMAS issues in a timely manner and to periodically report progress to NAVSEA 02.

e. Additionally, in the COC Office's Appointment letter, NAVSEA will emphasize the role and responsibility of the CCO to timely resolve outstanding system audits to ensure protection of the Government's interests.

f. NAVSEA [REDACTED] has appointed a Corporate Administrative Contracting Officer to assist with monitoring and administering business system requirements and DCAA audit findings at each of the [REDACTED] shipyards.

3. By reference (b), NAVSEA has initiated and will maintain a monitoring system at the headquarters level that tracks the status of all system and audits thereof throughout each of the Supervisors of Shipbuilding.

4. Any questions regarding these comments can be forwarded to Mr. Scott S. Anderson, (202)781-2809, scott.s.anderson@navy.mil.


BRIAN J. PERSONS
Executive Director

Copy to:
SEA 02
SEA 022
SOS [REDACTED] (Codes 100, 400)
NAVSEA 04 (L. Thompson)
NAVSEA 08H
SEA 00N (T. Ball)

Acronyms and Abbreviations

DCAA	Defense Contract Audit Agency
DFARS	Defense Federal Acquisition Regulation Supplement
IG	Inspector General
MMAS	Material Management and Accounting System
NAVSEA	Naval Sea Systems Command
SUPSHIP	Supervisor of Shipbuilding, Conversion and Repair



Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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For more information about DoD IG reports or activities, please contact us:

Congressional Liaison

Congressional@dodig.mil; 703.604.8324

DoD Hotline

800.424.9098

Media Contact

Public.Affairs@dodig.mil; 703.604.8324

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